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DEPARTMENT OF LABOR

Employment and Training Administration

Notice of the Federal Unemployment Tax Act (FUTA) Credit Reduction Applicable in 2018

AGENCY: Employment and Training Administration, Labor.

ACTION: Notice.

SUMMARY: Sections 3302(c)(2)(A) and 3302(d)(3) of the FUTA provide that employers in a State that has outstanding advances under Title XII of the Social Security Act on January 1 of two or more consecutive years are subject to a reduction in credits otherwise available against the FUTA tax for the calendar year in which the most recent such January 1 occurs, if advances remain on November 10 of that year. Further, Section 3302(c)(2)(C) of FUTA provides for an additional credit reduction for a year if a State has outstanding advances on five or more consecutive January firsts and has a balance on November 10 for such years. Section 3302(c)(2)(C) also provides for waiver of this additional credit reduction and substitution of the credit reduction provided in Section 3302(c)(2)(B) if a state meets certain conditions.

California and the United States Virgin Islands were potentially liable for the additional credit reduction under Section 3302(c)(2)(C) of FUTA and applied for the available waiver. It has been determined that each one met all of the criteria of the section necessary to qualify for the waiver of the additional credit reduction. Further, the additional credit reduction of Section 3302(c)(2)(B) is zero for California and the Virgin Islands for 2018. California repaid its outstanding advances prior to November 10, 2018; hence there will be no FUTA credit reduction for the State's employers. Employers in the Virgin Islands will have no additional credit reduction applied for calendar year 2018. However, as a result of having outstanding advances

on each January 1 of 2010 through 2018 as well as on November 10, 2018, employers in the Virgin Islands are subject to a FUTA credit reduction of 2.4 percent in 2018.

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